

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
APPAREL OF POLYESTER LINING FABRIC
FROM CARIBBEAN BASIN COUNTRIES**

Investigation No. 332-458-011

September 2004



Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-458-011

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| Products | Apparel of polyester lining fabric |
| Requesting Parties | Fishman & Tobin, Inc., Conshohocken, PA |
| Date of Commission Report: USTR Public | September 14, 2004 September 2004 |
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON SEPTEMBER 14, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***) .

Summary of Findings

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports from eligible Caribbean Basin countries of apparel containing certain polyester lining fabric, regardless of the source of the fabric, could have some adverse effect on U.S. fabric producers and their workers. The proposed preferential treatment would likely have a negligible adverse effect on U.S. yarn and apparel producers and their workers. Further, the proposed action would likely benefit U.S. firms making apparel in eligible countries from the subject fabric, and their U.S.-based workers, as well as U.S. consumers.

Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).¹

The Commission's advice in this report relates to a petition received by CITA on August 3, 2004, alleging that certain lining fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from such fabric, regardless of the source of the fabric. The President is required to submit a report to the House Committee on Ways and Means and to the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action,

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Feb. 9, 2004 (69 F.R. 6003) and consult the Commission's website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.²

Discussion of the product

The petition states that the lining fabric is classified in subheading 5407.61.99 of the Harmonized Tariff Schedule of the United States (HTS), which provides for woven fabrics containing 85 percent or more by weight of non-textured polyester filaments.³ The subject fabric is made wholly of polyester filaments and is used by the petitioner as a lining in boys' woven manmade-fiber pants and suit jackets. The average rate of duty on such garments, classified in HTS chapter 62 (apparel, not knitted or crocheted), is 27 percent ad valorem in 2004.

The fabric named in the petition is a dyed taffeta, or plain-weave, fabric, which usually has a smooth hand and a lustrous surface.⁴ The petition describes the fabric as a "190T" fabric in a 110 x 80 construction--that is, the fabric has 110 warp ends and 80 filling picks per inch, for a total thread count of 190.⁵ The fabric contains 68 denier yarns in both the warp and filling, and it is dyed by the jet overflow and jet spinning methods.⁶ The petition states that the fabric is a heavy-weight lining fabric and that the heavy weight of the fabric provides the extra seam strength for "active" children's clothing.

The petitioner, Fishman & Tobin, imports children's clothing either from its subsidiary in the Dominican Republic or from independent contractors in Guatemala and Nicaragua.⁷ A trade report states that the firm "controls some 90 percent of the boys' dresswear market--offering suits, dress shirts, blazers and pants for the Claiborne, Van Heusen, Arrow and Sean John brands, as well as private label [***] programs."⁸ Fishman & Tobin sources the dyed lining fabrics from Taiwan and China, ***. According to the petition, Fishman & Tobin intended to purchase the lining fabric in lots of 50,000 yards.

Discussion of affected U.S. industries, workers, and consumers⁹

Fabric producers

Polyester lining fabrics of a kind named in the petition reportedly are made in the United States by at least three firms: Milliken & Co., Spartanburg, SC; New River Industries, New York, NY; and Schneider Mills,

² In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

³ CITA received three other petitions from the petitioner on August 3, 2004, covering cotton twill fabric (Commission Inv. No. 332-458-012), fancy polyester-rayon suiting fabric (332-458-013), and fancy polyester filament fabric (332-458-014). On August 24, 2004, the petitioner withdrew the fancy polyester-rayon suiting fabric petition and replaced it with two new petitions covering similar fabrics but made on different systems (332-458-017).

⁴ Information in the paragraph is from the petition filed with CITA on behalf of Fishman & Tobin by Sharretts, Paley, Carter & Blauvelt, P.C., July 29, 2004, and email correspondence with Fishman & Tobin and its counsel, Aug. 2004.

⁵ Warp ends run lengthwise on the loom and in the fabric, while filling picks run across the width of the loom and fabric.

⁶ Jet overflow dyeing is a common method of dyeing fabric. The fabric is in rope form and tension free during dyeing, which can give the fabric very good shrinkage and a soft hand or feel. A pump in the dyeing machine jets the water (dye liquor) to flow in the circular tube, the fabric rotates in the tube with the water flow so as to achieve level dyeing. By using jet overflow dyeing, there is less possibility of side-to-side and end-to-end shade differences; however, batch-to-batch shade variation will be more than that in the continuous dyeing method. Robert Granato, Vice President of Fabric Sourcing and Purchasing, Fishman & Tobin, email correspondence, Aug. 17, 2004.

⁷ The petition states that the garments imported by Fishman & Tobin from the Dominican Republic are made by Minikin Togs, Inc., a subsidiary that has seven factories and two warehouses located in the Santiago Free Trade Zone.

⁸ See "The Present: Offering a True Competitive Advantage," *DNR (Daily News Record)*, Fairchild Publications, New York, NY, Aug. 9, 2004 (page 9 of a 19-page advertisement on the firm celebrating 90 years of being in business).

⁹ In general, the manufacturing progression for textiles is: (1) fibers are processed into yarns, (2) yarns are made into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods.

Inc., Taylorsville, NC. These firms produce polyester lining fabrics and sell them in the unfinished ("grey") state to "converters," which purchase grey fabrics, both domestic and imported, and arrange for their dyeing and finishing to customer specifications. U.S. production of grey polyester lining fabrics for apparel in 2003 was estimated at 9 million yards *** and 12 million square yards ***.¹⁰

The three U.S. producers stated that they weave lining fabrics of non-textured polyester filaments in constructions that are very similar, but not identical, to the subject lining fabric. The firms stated that their polyester lining fabrics are slightly lighter in weight than the subject lining fabric but they "achieve the same results" in the garment as the subject fabric. *** stated that although the domestic polyester lining fabric is not in the exact same construction as that specified in the petition, the "nature of the cloth" is such that the domestic fabric is a "very close" substitute for the subject lining fabric. The U.S. producers stated that they could easily and quickly adjust their equipment in order to make the polyester lining fabric specified in the petition and have it available for delivery within a short period of time, if they were to receive an order for it. ***

Trade sources assert that apparel polyester lining fabrics made in China cost much less than those made in the United States. For a dyed taffeta lining fabric wholly of non-textured polyester filaments, trade sources indicate that the average per-yard cost is \$0.50 - \$0.55 for the Chinese cloth (landed, duty-paid value), compared with \$0.90 - \$1.00 for a U.S.-made fabric. Fishman & Tobin state that its average purchase price for 190T polyester lining fabric made in China *** per yard. U.S. producers contend that the domestic and imported fabrics are of comparable quality, finish, and construction. A different view on this issue was expressed by *** contends that the imported fabrics are of better quality than the domestic fabrics because they have "more construction," while *** asserts that the Chinese polyester lining fabric is of lower quality.

Milliken & Co.¹¹ states that it currently supplies the men's and women's tailored clothing market with a variety of lining styles and weights.¹² *** Milliken stated that it has the machinery, the manpower, and the desire to supply the U.S. and the Caribbean apparel industries with commercial quantities of the polyester lining fabrics; that it could easily make the subject fabric; and that the production of the subject fabric would involve minimal adjustments and downtime.

An official of New River Industries stated that *** it weaves polyester lining fabrics in a ***.

Officials of Schneider Mills stated that the firm weaves *** million yards of polyester lining fabrics a year ***.¹³ They said the firm weaves polyester lining fabrics in ***. The officials stated that the firm weaves the fabrics in two different pick constructions ***, both of which, a company official contended, achieve the same results as the subject 80 pick fabric. ***

Converters

Commission staff contacted ***, which purchase domestic and imported grey fabrics and dye and finish them to customer specifications. ***¹⁴ The official stated *** that the U.S. market for polyester taffeta lining fabrics is very small. According to *** official, the average per-yard price of a "190T" 100-percent polyester taffeta lining fabric, dyed in a black solid color, is about \$1 for domestic fabric, compared with

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¹¹ The petition filed on behalf of Fishman & Tobin contains a copy of a letter that Fishman & Tobin received from Milliken in response to its request for a price quote for specified quantities of the subject fabric. In this letter, a Milliken marketing manager stated that the subject fabric "is not a product that we currently have or plan to manufacture in the near future." ***

¹² Information on Milliken is from its written submission to CITA, Aug. 23, 2004, ***, telephone interviews by Commission staff, Aug. 18 and 20, 2004.

¹³ ***, telephone interviews by Commission staff, Aug. 24 and 30, and Sept. 1, 2004.

¹⁴ ***, telephone interview by Commission staff, Aug. 19, 2004.

quotes on imported fabric available for sale in the United States of \$0.50 - \$0.55 ***. *** The *** official stated that a 110 x 80 construction is a typical or standard construction in Asia and that the standard construction of U.S.-made polyester lining fabric is 96 x 68 or 96 x 78.

An official of *** stated that, following the Asian financial crisis of the late 1990s, the cost of polyester filament lining fabric made in Asia declined by roughly half, ***.¹⁵ ***

Yarn producers

Unifi, Inc. states that it produces and sells 100-percent polyester filament yarns for use in lining fabrics produced domestically.¹⁶ Unifi states that its domestic production includes capacity to produce 68 denier warp-drawn flat yarn or 68 denier flat yarn purchased domestically and beamed for the weaver. The firm states that both yarns are suitable for the warp direction. According to Unifi, although it does not produce the 68 denier yarn for the fill direction, this fill yarn may also be purchased from domestic producers.

Apparel companies

Trade sources indicate that the U.S. market for apparel polyester lining fabrics is small. According to ***, polyester lining fabrics accounted for an estimated 5 percent of total U.S. production of apparel lining fabrics in 2003.¹⁷ In addition, imports supply most of the domestic market for boys' garments that contain linings. As noted above, the petitioner, Fishman & Tobin, which reportedly accounts for about 90 percent of the U.S. market for boys' dress clothing, currently manufactures or sources the garments abroad, such as in CBTPA countries. *** A Fishman & Tobin customer for its boys' clothing, ***, stated that polyester linings are used in boys' dress clothing because the linings are more durable than acetate linings, which are commonly used in men's tailored clothing, and help minimize seam or fabric slippage in "active" children's wear.¹⁸

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice¹⁹

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports from eligible CBTPA beneficiary countries of apparel containing the subject lining fabric, regardless of the source of the fabric, could have some adverse effect on U.S. fabric producers and their workers. The information available to the Commission indicates that domestic polyester filament lining fabrics are very similar to the subject lining fabric in terms of construction and average yarn count and that there are no significant differences in fabric quality. However, the cost of the imported subject lining fabric is much lower than that for similar domestic polyester lining fabrics. The proposed preferential treatment could reduce demand for U.S.-made apparel polyester lining fabrics and, in turn, weaken demand for U.S.-made yarns used in such fabrics.

The proposed preferential treatment likely would have a negligible adverse effect on U.S. yarn and apparel producers, and their employees. Imports supply most of the domestic market for boys' apparel articles that contain polyester lining fabrics. The expected increase in imports of apparel made in eligible CBTPA

¹⁵ ***, telephone interview by Commission staff, Aug. 26, 2004.

¹⁶ Thomas H. Caudle, Jr., Vice President, Global Operations, Unifi, Inc., written submission to CITA, Aug. 23, 2004.

¹⁷ *** estimated that U.S. production of grey apparel lining fabrics for 2003 totaled 165 million yards, of which 9 million yards were of polyester; 122 million yards, acetate; 30 million yards, nylon; and 3 million yards, rayon/bemberg.

¹⁸ ***, interview by Commission staff, Sept. 7, 2004.

¹⁹ The Commission's advice is based on information currently available to the Commission.

countries from the subject fabric would likely displace mostly imports from other countries, because U.S. production is likely for niche markets or quick response programs. The proposed preferential treatment would likely benefit U.S. firms making apparel in eligible CBTPA countries with the subject lining fabric by increasing the supply and availability of such fabrics. The proposed preferential treatment also would likely benefit U.S. consumers of apparel made from the subject fabric to the extent that importers pass on some of the duty savings to retail consumers. As noted above, the rate of duty on boys' manmade-fiber garments containing the polyester lining fabric is 27 percent ad valorem.